

## Financial institutions launch cutting-edge research project to integrate climate change into strategic investment decisions

*6 September 2018 – The financial institutions AP1, a.s.r., OPTrust, Pensioenfonds van de Metalektro (PME) and Philips Pensioenfonds, supported by Ortec Finance - the provider of investment decision technology and solutions - announce the launch of their climate-savvy Asset Liability Management/Strategic Asset Allocation (ALM/SAA) pilot project.*

“Better knowledge of how climate change might affect risk and returns is crucial for our long term performance. Participating in this climate study will not only deepen our understanding but also be an important input in articulating our climate strategy,” says Mikael Angberg, CIO at AP1.

### **The goal of the project**

The pilot is one of the first efforts of its kind to integrate quantified risks associated with climate change into standard forward-looking financial scenario sets that drive strategic investment decision-making. The pioneering investors involved in the pilot will use these sets to analyze the impacts of various global warming pathways on their ALM/SAA. The pilot is expected to run until the end of 2018. If successful, the climate-savvy scenario set is expected to be made more widely available to investors by early 2019.

### **Collaborative effort**

The pilot project is a broad collaboration between AP1, a.s.r., OPTrust, Pensioenfonds van de Metalektro (PME), Philips Pensioenfonds and Ortec Finance, along with Cambridge Econometrics and Carbon Delta. Additionally, I Care & Consult, the Institute for Environmental Studies – VU Amsterdam, the Grantham Research Institute at the London School of Economics, Potsdam Institute for Climate Impact Research, Sustainable Finance Lab, Utrecht University and the University of East Anglia offer their expert feedback in this project.

### **Approach**

The research and development project, which links scientific climate data to ALM/SAA tooling, is a novel approach to mapping potential future climate impacts on investment performance. The methodology of the pilot is to combine existing academic research on climate-related risks associated with several global warming pathways with key macro-economic risk drivers such as growth, inflation and interest rates. Once completed, the results of this mapping will be integrated into Ortec Finance’s forward-looking financial scenario set that already includes a wide array of standard financial and economic variables. Piloting investors’ portfolios will be tested using these new climate-savvy financial scenario sets as the key input for the adjusted ALM/SAA analysis.

### **Expected results**

The resulting insights will increase the piloting investors' understanding of the sensitivities of their investment strategies to climate-related risks, inform alignment to international climate goals through setting Science Based Targets and enable forward-looking disclosure in line with the recommendations of the Task Force on Climate-related Financial Disclosures. Additionally, the pilot aims to inform academia of existing knowledge and data gaps to tailor future research to the financial sector practitioners' needs.

### **Contact**

Anna Fall, Head of Communications  
+46 (0)709 681 250

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Första AP-fonden (AP1) is one of five AP Funds that ensure stability in the Swedish national income pension system. AP1 manages assets worth SEK 338 billion (30 June 2018) in a global portfolio comprising equities, fixed-income securities and alternative investments. The Fund's mission is to achieve the highest possible return with well-judged financial risks, and thereby to contribute to a high, predictable income pension for current and future pensioners alike. Första AP-fonden takes a long-term view of investment and is an active, engaged owner. As an owner, the Fund places high demands on environment, ethics and corporate governance.